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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/586,881	06/05/2000	Mordhay Barkan		8240

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EXAMINER

DASS, HARISH T

ART UNIT	PAPER NUMBER
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3628

DATE MAILED: 04/22/2004

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary

Application No.

09/586,881

Applicant(s)

BARKAN, MORDHAY

Examiner

Harish T Dass

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☐ Responsive to communication(s) filed on 12 January 2004.
- 2a) ☒ This action is **FINAL**. 2b) ☐ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 15-34 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 15-34 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
- ☐ Certified copies of the priority documents have been received.
 - ☐ Certified copies of the priority documents have been received in Application No. _____.
 - ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- 1) ☒ Notice of References Cited (PTO-892)
- 2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 3) ☐ Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)
Paper No(s)/Mail Date _____
- 4) ☐ Interview Summary (PTO-413)
Paper No(s)/Mail Date. _____
- 5) ☐ Notice of Informal Patent Application (PTO-152)
- 6) ☐ Other: _____

DETAILED ACTION

Claims 1-14 are canceled.

Specification

1. The amendment filed 1/12/2004 is objected to under 35 U.S.C. 132 because it introduces new matter into the disclosure. 35 U.S.C. 132 states that no amendment shall introduce new matter into the disclosure of the invention. The added material which is not supported by the original disclosure is as follows: page 2, Applicant has inserted new paragraphs into the specification; where he/she has incorporated the office action references to the specification as a new matters, remove the added page. Note: these references are part of the applications, in the event of the allowance these reference will be included. Applicant is required to cancel the new matter in the reply to this Office Action.

2. Applicant is reminded of the proper language and format for an abstract of the disclosure.

The abstract should be in narrative form and generally limited to a single paragraph on a separate sheet within the range of 50 to 150 words. It is important that the abstract not exceed 150 words in length since the space provided for the abstract on the computer tape used by the printer is limited. The form and legal phraseology often used in patent claims, such as "means" and "said," should be avoided. The abstract should describe the disclosure sufficiently to assist readers in deciding whether there is a need for consulting the full patent text for details.

The language should be clear and concise and should not repeat information given in the title. It should avoid using phrases which can be implied, such as, "The disclosure concerns," "The disclosure defined by this invention," "The disclosure describes," etc. Abstract (page 48) line 2 "A method of payment .. party comprising ..." include legal phrase, should be corrected.

Claim Rejections - 35 USC § 101

3. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claim 15 is rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

As an initial matter, the United States Constitution under Art. I, §8, cl. 8 gave Congress the power to "[p]romote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries". In carrying out this power, Congress authorized under 35 U.S.C. §101 a grant of a patent to "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition or matter, or any new and useful improvement thereof." Therefore, a fundamental premise is that a patent is a statutorily created vehicle for Congress to confer an exclusive right to the inventors for "inventions" that promote the progress of "science and the useful arts". The phrase "technological arts" has been created and used by the courts to offer another view of the term "useful arts". See *In re Musgrave*, 167 USPQ (BNA) 280 (CCPA 1970). Hence, the first test of whether an invention is eligible for a patent is to determine if the invention is within the "technological arts".

Further, despite the express language of §101, several judicially created exceptions have been established to exclude certain subject matter as being patentable

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subject matter covered by §101. These exceptions include "laws of nature", "natural phenomena", and "abstract ideas". See *Diamond v. Diehr*, 450, U.S. 175, 185, 209 USPQ (BNA) 1, 7 (1981). However, courts have found that even if an invention incorporates abstract ideas, such as mathematical algorithms, the invention may nevertheless be statutory subject matter if the invention as a whole produces a "useful, concrete and tangible result." See *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* 149 F.3d 1368, 1973, 47 USPQ2d (BNA) 1596 (Fed. Cir. 1998).

This "two prong" test was evident when the Court of Customs and Patent Appeals (CCPA) decided an appeal from the Board of Patent Appeals and Interferences (BPAI). See *In re Toma*, 197 USPQ (BNA) 852 (CCPA 1978). In *Toma*, the court held that the recited mathematical algorithm did not render the claim as a whole non-statutory using the Freeman-Walter-Abele test as applied to *Gottschalk v. Benson*, 409 U.S. 63, 175 USPQ (BNA) 673 (1972). Additionally, the court decided separately on the issue of the "technological arts". The court developed a "technological arts" analysis:

The "technological" or "useful" arts inquiry must focus on whether the claimed subject matter...is statutory, not on whether the product of the claimed subject matter...is statutory, not on whether the prior art which the claimed subject matter purports to replace...is statutory, and not on whether the claimed subject matter is presently perceived to be an improvement over the prior art, e.g., whether it "enhances" the operation of a machine. *In re Toma* at 857.

In *Toma*, the claimed invention was a computer program for translating a source human language (e.g., Russian) into a target human language (e.g., English). The

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court found that the claimed computer implemented process was within the "technological art" because the claimed invention was an operation being performed by a computer within a computer.

The decision in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* never addressed this prong of the test. In *State Street Bank & Trust Co.*, the court found that the "mathematical exception" using the Freeman-Walter-Abele test has little, if any, application to determining the presence of statutory subject matter but rather, statutory subject matter should be based on whether the operation produces a "useful, concrete and tangible result". See *State Street Bank & Trust Co.* at 1374. Furthermore, the court found that there was no "business method exception" since the court decisions that purported to create such exceptions were based on novelty or lack of enablement issues and not on statutory grounds. Therefore, the court held that "[w]hether the patent's claims are too broad to be patentable is not to be judged under §101, but rather under §§102, 103 and 112." See *State Street Bank & Trust Co.* at 1377. Both of these analysis goes towards whether the claimed invention is non-statutory because of the presence of an abstract idea. Indeed, *State Street* abolished the Freeman-Walter-Abele test used in *Toma*. However, *State Street* never addressed the second part of the analysis, i.e., the "technological arts" test established in *Toma* because the invention in *State Street* (i.e., a computerized system for determining the year-end income, expense, and capital gain or loss for the portfolio) was already determined to be within the technological arts under the *Toma* test. This dichotomy has been recently acknowledged by the Board of Patent Appeals and Interferences (BPAI) in affirming a

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§101 rejection finding the claimed invention to be non-statutory. See Ex parte Bowman, 61 USPQ2d (BNA) 1669 (BdPatApp&Int 2001).

In the present application, Claim 15 has no connection to the technological arts. None of the steps indicate any connection to a computer or technology. Reporting to other users in the digital communications environment can be accomplished by using digital phone line to a bank, a seller, a department store, or purchasing electronic ticket is a digital communication (printed digitally) to communicate with other party by providing account number, etc using touch-tone. Therefore, the claim is directed towards non-statutory subject matter. To overcome this rejection the Examiner recommends that Applicant amend the claims to better clarify which of the steps are being performed within the technological arts; for example: "computer is used to calculate average ...", etc.

Claim Rejections - 35 USC § 102

4. The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless –

(e) the invention was described in (1) an application for patent, published under section 122(b), by another filed in the United States before the invention by the applicant for patent or (2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in section 351(a) shall have the effects for purposes of this subsection of an application filed in the United States only if the international application designated the United States and was published under Article 21(2) of such treaty in the English language.

Claims 15-16, 25-26, 28 and 32 are rejected under 35 U.S.C. 102(e) as being anticipated by Hill (US 6,236,981).

Re. Claim 15 Hill substantially discloses digital payment system, smart card, personal digital assistants and digital payment token stored in a client terminal, where the user can spend the tokens by transferring tokens to a merchants [see entire document particularly – Abstract, Figures 1-2, 8-10; C1 L1 to C4 L63], a. Acquiring by a buyer of electronic tokens from a tokens issuer and storing the tokens in a buyer's database [C4 L58-L59; C5 L25-L56], b. paying to a seller by sending them electronic tokens [C4 L28-L29; C5 L31-46; C16 L26-L52], c. canceling (increment and update) the used tokens in the buyer's database, by the buyer [Fig. 4-5, 10; C5 L25 to C6 L2; C8 L25-L31; C9 L7-L17; C12-L8-L48], d. reporting to other users (payment server) in the digital communications environment of canceled tokens (maintain the current state of the token and update), to allow monitoring a proper (view and maintain a count) use of the tokens by the other users (merchant module) [C3 L55-L67; C11 L62 to C12 L28; CL36-L55; C44-L45; C13 L1-L6].

Re. Claim 16, Hill discloses e. storing reports from other users, indicating their use of tokens and cancellation of tokens in each transaction [Fig. 4-5; C5 L25 to C6 L2; C8 L25-L31; C9 L7-L17], f. processing reports on the use of tokens by each of the other users, comparing according to predefined criteria, verifying that used tokens have been canceled [Fig. 4-5; Fig. 4-5; C5 L25 to C6 L2; C8 L25-L31; C9 L7-L17; C12-L8-L48; C2 L35-L38], and g. if the reports indicate a fraud or inappropriate use of tokens

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(corrupted), then storing that information in a database, and if the reports indicate a fraud or inappropriate use of tokens, [C3 L42-L67].

Re. Claim 25, Hill discloses wherein a token represents a prepaid amount of money or a credit to that specific amount [C1 L27-L40].

Re. Claim 26, Hill discloses wherein the communications environment comprises the Internet [C1 L53-L55].

Re. Claim 28, this claim is rejected with same rational as claim 15.

Re. Claim 32, this claim is rejected with same rational as claim 16.

Claim Rejections - 35 USC § 103

5. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Claims 18-24, 27, 29-31 and 34 are rejected under 35 U.S.C. 103(a) as being unpatentable over Hill.

Claim 18, Hill discloses collecting payment [C12 L48-L67]. Hill, explicitly, does not disclose including transferring to other users said reports received from others, indicating the other's use of tokens and the cancellation of tokens in each transaction.

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However it is obvious and will-known to one skill in the art of credit card payment system, credit card users and online banking users that credit card statements (bank statements) provide information such as: including transferring to other users (merchants, banks) said reports received from others (card holder, merchants), indicating the other's use of tokens and the cancellation of tokens in each transaction. It would have been obvious at the time the invention was made to a person having ordinary skill in the art to modify the disclosure of Hill and include transferring information to other to prevent fraud.

Re. Claims 19-24, Hill discloses being applied for paying for services required irregularly, wherein the buyer pays per use (QuickPay where user pays for service regularly or collected for when each pack) [C5 L6-L42; C8 L4-L25]. Hill, explicitly, does not include payment break down for equipment, software, hardware or processing such as: payment applied to for accessing a database in that environment, being applied by a buyer for using software resources available in that environment, using software resources available in that environment, using hardware resources available in that environment, using signal processors available in that environment and using advanced word processors available in that environment. However, these are not inventive steps because computer time-sharing, pay-per-view and per-per-usage (Internet) are well known and obviously they are business choices how to break down the payment. For example, if a business itself purchases the resources from others such as search engine, it has to pay, etc. Similarly, many businesses do these breaks down because of

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accounting practice. Therefore it would have been obvious at the time the invention was made to a person having ordinary skill in the art to modify the disclosure of Hill and include breakdown of payments, based on its accounting business practice, to different cost centers to manage its cost structure and payments to other appropriately.

Re. Claim 27, Hill discloses Internet communication [C5 L5-L15], However, Hill, explicitly, does not disclose wherein the communications environment comprises a local net (LAN), but local area network (LAN) and Intranet are well-known and are not inventive steps. It would have been obvious at the time the invention was made to a person having ordinary skill in the art to modify the disclosure of Hill and include LAN or Intranet to confine the business internally and not be connected to WAN or Internet and prevent outsiders from accessing the system.

Re. Claims 29-31, these claims are rejected with same rationale as claim 18, where others include second user.

Re. Claim 34, this claim is rejected with same rationale as claim 18

Claims 17 and 33 are rejected under 35 U.S.C. 103(a) as being unpatentable over Hill as applied to claims 15 & 32 above, and further in view of Yacobi (US 5,872,844).

Re. Claim 17, Hill discloses e. storing reports from other users, indicating their use of tokens and cancellation of tokens in each transaction [Fig. 4-5; C5 L25 to C6 L2; C8

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L25-L31; C9 L7-L17], f. processing reports on the use of tokens by each of the other users, comparing according to predefined criteria, verifying that used tokens have been canceled [Fig. 4-5; Fig. 4-5; C5 L25 to C6 L2; C8 L25-L31; C9 L7-L17; C12-L8-L48; C2 L35-L38]. Hill, explicitly, does not disclose g. if the reports indicate a fraud or inappropriate use of tokens, then sending a report to the tokens issuer. However, Yacobi (US 5,872,844) discloses a system for detecting fraudulent use of electronic cash which warns other of "bad wallet" (if the reports indicate a fraud or inappropriate use of tokens, then sending a report to the tokens issuer) [Abstract; C9 L23-L29] to prevent subsequent fraud. "It would have been obvious at the time the invention was made to a person having ordinary skill in the art to combine the disclosures of Hill and Yacobi to compile a list of tainted or bad wallets and distribute the wallets of all the parties to warn other parties of the bad wallets.

Re. Claim 33, this claim is rejected with same rational as claim 17

Response to Arguments

6. Applicant's arguments with respect to claims have been considered but are moot in view of the new ground(s) of rejection.

Conclusion

7. The prior art made of record and not relied upon is considered pertinent to applicant's disclosure. Applicant is required under 37 CFR ' 1.111 (c) to consider the references fully when responding to this action.

Kravitz (US 6,029,150) discloses electronic payment system, digital cash transaction, Electronic coin, electronic tokens and various payment electronic payment protocols for online and off-line systems and use of digital communication network.

Anthes, Gary "Digital cash solution sought", Computerworld, Sept. 26, 1994, discloses electronic tokens that could be stored on a user's card or computer and exchange with remote parties over any kind of network, fraud, overpayment and payment for purchase of digital objects (movies, software, etc.)

8. Applicant's amendment necessitated the new ground(s) of rejection presented in this Office action. Accordingly, **THIS ACTION IS MADE FINAL**. See MPEP § 706.07(a). Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any

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extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the date of this final action.


Any inquiry concerning this communication or earlier communications from the examiner should be directed to Harish T Dass whose telephone number is 703-305-4694. The examiner can normally be reached on 8:00 AM to 4:50 PM.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Hyung S Sough can be reached on 703-308-0505. The fax phone number for the organization where this application or proceeding is assigned is 703-872-9306.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

Harish T Dass HTD
Examiner
Art Unit 3628

4/5/04


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